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WALTER WILHELM LAW GROUP  
A Professional Corporation  
Riley C. Walter #91839  
Kathleen D. DeVaney #156444  
205 East River Park Circle, Ste. 410  
Fresno, CA 93720  
Telephone: (559) 435-9800  
Facsimile: (559) 435-9868  
E-mail: [rileywalter@W2LG.com](mailto:rileywalter@W2LG.com)

Chapter 9 Counsel for Tulare Local Healthcare District, dba  
Tulare Regional Medical Center

IN THE UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF CALIFORNIA  
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE  
DISTRICT, dba TULARE  
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897  
Address: 869 N. Cherry Street  
Tulare, CA 93274

CASE NO. 17-13797

Chapter 9

WW-95

Date: July 3, 2019  
Time: 10:00 a.m.  
Place: 2500 Tulare Street  
Fresno, CA 93721  
Courtroom 13  
Judge: Honorable René Lastreto II

## EXHIBITS TO DISCLOSURE STATEMENT DATED AS OF APRIL 30, 2019

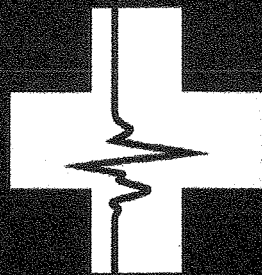
Exh.	Description	Pages	#Pages
A	Financial Projections	1-23	23
B	Audited Financial Statements	24-55	32

Dated: May 22, 2019

WALTER WILHELM LAW GROUP,  
a Professional Corporation

By: 

Riley C. Walter,  
Attorneys for Debtor, Tulare Local  
Healthcare District, dba Tulare Regional  
Medical Center



# Tulare Local Healthcare District Chapter 2 Plan of Adjustment

April 20, 2019

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HEALTH CARE PRACTICE





# Today's Agenda

## Chapter 9 Plan of Adjustment/ Best Outcome

### Summary of Findings

### Financial Results

### Executive Summary of Findings

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## Objectives

To assist the Tulare Local Health Care District, dba Tulare Regional Medical Center ("TLHCD") Board and Management to determine their ability to fund ongoing District operations and repay Chapter 9 claims:

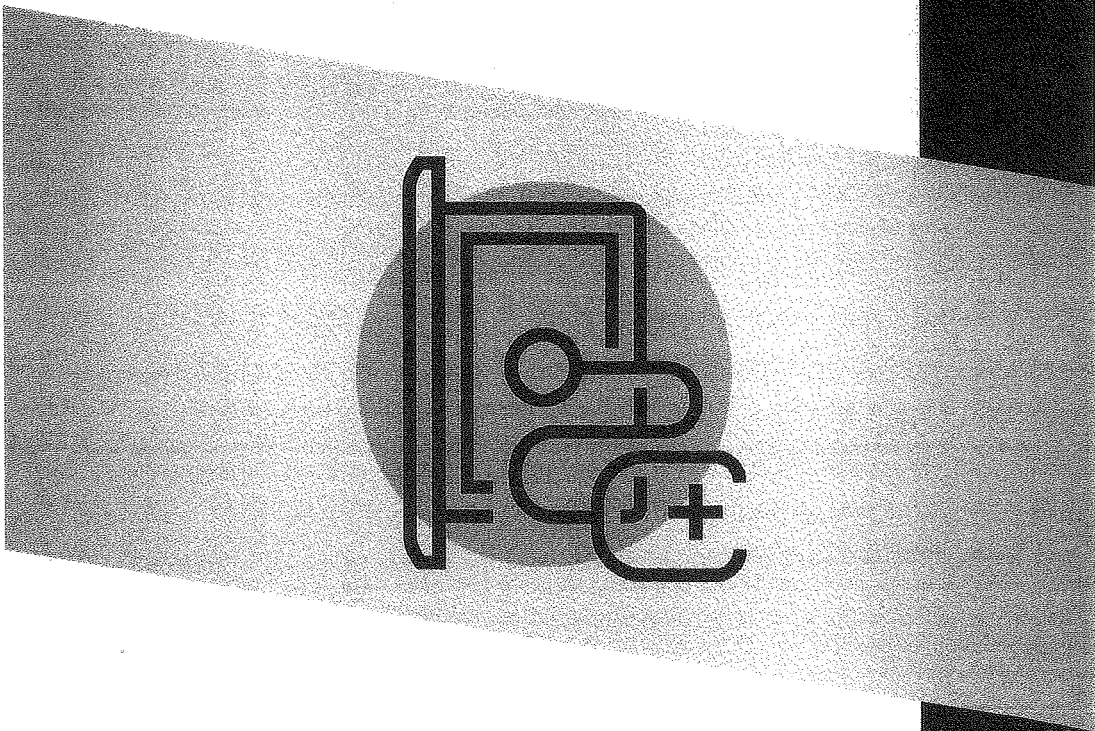
- Project TLHCD income producing capacity and related benefits and anticipated risks.
- Provide projections to determine TLHCD's short and long term cash flow requirements.
- Determine available cash to fund Chapter 9 Claims Payable.
- On the assumption that the District pays \$1,000,000 per year for five years in semi-annual distributions and on the assumption that the filed cost reports governmental claims are withdrawn or overlooked. The distribution to Class 8 would be approximately 19.2 – 30.3% of the remaining claims, assuming remaining claims total between \$26,000,000 - \$16,500,000.



## Summary of Analysis: Material Issues Done

- Reviewed the FYE 6/30/18 audited financial statements and corresponding audit grouping schedule as the starting basis for the projected balance sheet assets and liabilities.
- Utilized actual revenues and expenses for the eight months ending February 28, 2019 as the basis for projecting District ongoing future operations.
- Incorporated various adjustments based on anticipated changes in TLHD operations.
- Based on data above, created a 10-year (Years ending June 30, 2020 - 2030) cash flow projection of anticipated financial operations.
- Determined funds available to repay Chapter 9 claims payable.

# Financial Results





## Summary of Analysis, Key Assumptions, Projections and Results

- Based on the cash flow projections approximately \$5.0 million is available by June 30, 2029 to pay Chapter 9 unsecured claims (Class 8 in the Chapter 9 Disclosure Statement).

- **Key Assumptions:**

- Adventist Health lease continues at the existing lease extension option terms through 2029.
- Adventist Health funds all capital expenditures from fiscal 2020 through 2024 for a total of \$3.860 million. The \$3.860 million is funded through the existing line of credit.
- The Adventist Health line of credit is repaid in accordance with the loan terms by June of fiscal 2026.
- The City of Tulare line of credit is repaid in accordance with the loan terms. Interest only for 36 months and Principal over 30 months from August 2024 through July 2025.

Summary of Analysis, Key Assumptions, Findings and  
Results (continued)

• **Key Assumptions:**

- Revenue Bond Reserve funds are replenished in accordance with the Bond Indenture over a 2 year period ending in fiscal year 2021.
- Surplus equipment and certain assets and properties are sold for approximately \$3.3 million
- Litigation and Avoidance recoveries amount to \$2 and \$1.5 million, respectively.
- Minimal compliance with California seismic regulations.
- Basic maintenance of the District facilities.
- Necessity of creating a fiscally prudent cash reserve of 180 days.
- Minimal compliance with District California law requiring healthcare districts to provide community benefit services.



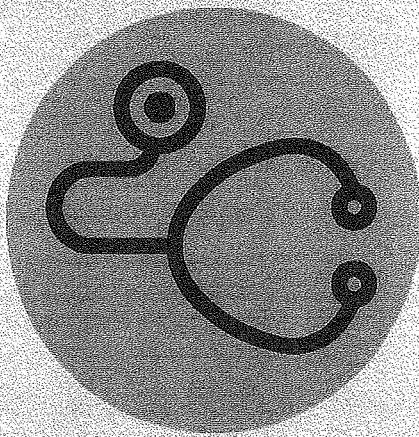
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HEALTH CARE PRACTICES

# Financial Projection Assumptions

## *Tulare Local Healthcare District*





Footnotes to Slide 8 - Revenue Assumptions

1. General Obligation Bond (GO) tax revenue is equal to the interest and principal on the Series A, B-1 and B-2 bonds.
2. Other property tax revenue is based on the actual fiscal 2019 tax revenues inflated at 3.0 percent per annum
3. Represents the capital equipment purchases that have been funded through the Adventist Health Letter of Credit.
4. Adventist Health Lease income assumes the lease begins March 15, 2019. The first year lease payment is \$2,335,000 and increases at 3.0 percent annually.
5. Rental income is based on the current rental agreements for the Districts properties inflated at 2.5 percent annually.
6. Evolutions net income is based on the estimated actual for 2019 increased over the projection period for anticipated increases in the number of memberships.

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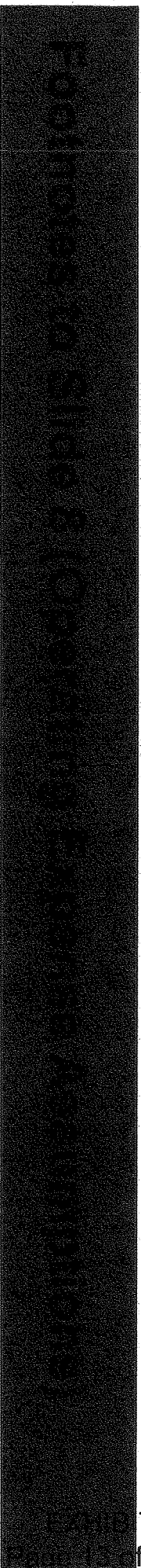
7. Litigation recoveries are estimated at \$2 million allocated over the three year period from fiscal years ending 2021-2023. Avoidance claims are estimated at \$1.5 million collected on a monthly basis during fiscal year ending 2021. These are estimates and could be greater or less than projected. The District believes these are conservative estimates but predicting recoveries on litigation claims is speculative.

Footnotes to Slide 8 - Recovery Assumptions (cont.)



Footnotes to Slide 8 (Revenue Assumptions Continued)

- 8. Revenue associated with the sale of excess equipment and assets is estimated at \$3,340,000 as follows:**
- Evolutions adjacent land - \$1.8 million
  - Properties - \$540,000
  - Surplus equipment - \$1.0 million
- 9. Interest income is projected at 3.0 percent of the restricted funds associated with the 2007 Revenue Bonds.**



## 10. Salaries and Benefits

- District Administration – 3 FTE's (CEO, Controller and Admin. Asst.)
- Benefits – Projected at 35% of Salary and Wages (Includes estimated costs for a Professional Employment Organization ("PEO").
- Insurance – Estimated based on 2019 premiums inflated at 3.0 percent per annum. Tail coverage ends in fiscal 2021 which results in the reduction in overall insurance expense for the remaining projected years.
- Utilities – Actual 2019 expenses inflated at 1.85 percent per annum.
- Legal – Includes estimates for District Defense, Bankruptcy, Bond and Trustee attorney fees.



Footnotes to Slide 8 (Operating Expenses Assumptions)

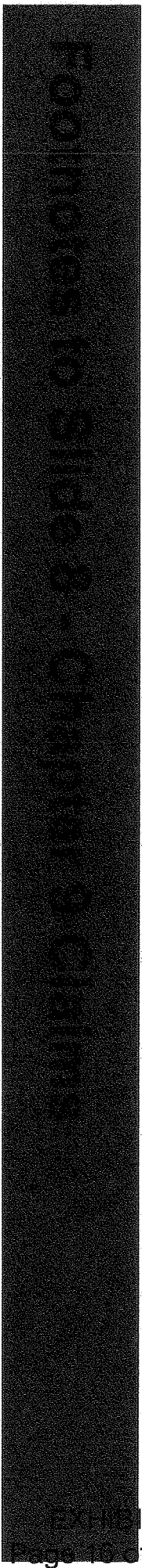
- **Consulting and Purchased Services** – Includes estimates for Administrative and Accounting support until transition to District employees. Also includes estimates for IT, Security and Other contracted services.
- **Leases and Rentals** – Based on actual 2019 expense inflated at 2.0 percent per annum. A small reduction was anticipated in mid year 2020 to account for the reduction in some of the storage after the sale of surplus equipment. Also includes projected property management fees.
- **Supplies and Other** – Based on actual 2019 expense inflated at 1.0 percent per annum. The majority of these expenses include repairs and maintenance, yard upkeep and gardening for District properties, IT and computer services, office supplies and Board support expense.

Footnotes to Slide 3 (Nonmodular to Modular Conversion)

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11. Capital Expenditures/Community Needs Assessment – Fiscal year 2020 is based on estimated projects to complete 2020 seismic requirements. Years 2021 through 2024 were reduced to \$300,000 per year in order to have sufficient funds to comply with Adventist Health and City of Tulare loan requirements. After the loans are repaid in fiscal 2025, capital expenditures were increased to \$2.0 million per year based on the historical annual depreciation of hospital building and fixed equipment and in anticipation of projects to support other healthcare needs of the local community. Community Services are identified in the 2016 Community Needs Assessment completed by the County of Tulare and in 2019 by the California Hospital Counsel of Northern and Central California. The California Health and Safety Code imposes this requirement that healthcare districts provide such services as a condition of the existence. If such services are not provided LAFCO can apply for the dissolution of the District as they done with other California Districts.





## 12. Chapter 9 Claims

Class 1 through Class 6 claims include interest and principal on the District's long-term debt in accordance with the Chapter 9 disclosure statement.

## 13. Revenue Bond Reserve Funds are replenished over a two year period ending in fiscal year ending 2021.

- Class 7 claims consists of all other secured claims against the debtor not included in Classes 1 through 6. The District believes there are no such Class 7 Claims.
- Class 8 includes all unsecured claims against the debtor not included in any other class including claimants who do not elect to be included in Class 10. On the assumption The District pays out a total of \$5,000,000 in years 2025 – 2029. Payments are projected semi-annually as follows: \$500,000 – 2025, \$750,000 – 2026, \$1,000,000 – 2027, \$1,250,000 – 2028 and \$1,500,000 – 2029.

Footnotes to Slide 8 - Chapter 8 Claims

- If Class 8 claims are \$22 Million, Class 8 claims would receive 22.7% of their claim. If the total claims are \$16.5 Million the resulting claims would receive 30.3%. It is noted that it is possible that the actual allowed amounts of Class 8 claims could be greater than \$22 Million or less than \$16.5 Million. The result depends upon the final approval of cost report settlements and the outcome of pending expected litigation.
- Class 9 includes liability claims against the debtor covered by risk management contracts.

**14. Class 10 consists of general unsecured creditors in the amount of \$5,000 or less who elect to receive 50% of the allowed claim within 60 days of confirmation." Class 10 consists of all allowed unsecured claims filed for \$5,000 or less. This assumes all eligible claimants make the election.**



Footnotes to Slide 8 – Cash Reserve

**15. Cash Reserve reflects disbursements from revenues to a cash reserve account of approximately 180 days of expenses. The District needs to rebuild a reserve as a matter of prudent financial management because the lease with Adventist Health is for a period of five years with five, five year extensions. It is possible that Adventist Health may not exercise their option in which case the reserve may be needed if the District must regain control of the hospital. The reserve is less than what other financially sound Districts typically maintain.**

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HEALTH CARE PRACTICE

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Revenues:													
Net Patient Service Income	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ 54
Net Patient Service Income	-	-	-	-	-	-	-	-	-	-	-	-	\$ 54
Tax revenue GO Bonds	80	3,019	-	-	-	-	-	-	-	-	-	-	3,199
Tax revenue Other	500	300	500	500	400	400	400	400	400	400	400	400	4,500
Adventist Health Hospital LOC	-	-	97	97	195	195	195	195	195	195	195	195	1,854
Adventist Health Hospital Lease Income	48	48	48	48	48	48	48	48	48	48	48	48	575
Rental Income Other Properties	20	25	25	25	30	30	35	35	40	40	40	40	390
Evolution's Net Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Litigation Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
Avoidance Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Excess Equipment and Assets	-	-	2,340	-	250	-	-	250	-	-	250	-	3,090
Interest Income	4	4	5	5	3	4	4	5	5	6	5	6	56
Total Revenue	661	3,407	3,025	683	681	1,832	588	2,667	286	685	216	289	15,821
Operating Expenses:													
Salaries and Benefits	29	29	29	29	29	29	29	29	29	29	29	29	346
Insurance	140	49	49	49	49	49	49	49	49	49	49	49	579
Utilities	8	6	6	6	6	6	6	6	6	6	6	6	79
Legal	125	100	123	123	103	103	63	63	63	63	63	63	764
Consulting and Purchased Services	131	119	73	69	169	58	24	24	28	24	24	24	1,055
Leases and Rentals	7	7	7	7	7	5	5	5	5	5	5	5	64
Supplies and Other	25	11	25	11	11	25	11	11	25	11	11	11	186
Total Operating Expenses	463	320	313	293	373	277	186	186	206	167	178	178	3,159
Net Operating Income	198	3,087	2,712	390	308	1,555	402	2,481	81	518	38	111	12,662
Nonoperating Expenses													
Capital Expenditures	500	300	500	400	150	625	85	-	-	-	100	-	2,660
Chapter 9 Claims	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 1: Series A GO Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	715	-	-	-	-	-	1,781	-	-	-	-	715
Interest	-	1,797	-	-	-	-	-	-	-	-	-	-	3,579
Class 2: Series B-1 & B-2 GO Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	150	-	-	-	-	-	-	-	-	-	-	150
Interest	-	357	-	-	-	-	-	354	-	-	-	-	711
Class 4: Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 5: Debt Service Fund Replenishment	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	44	44	44	44	44	44	44	44	44	44	44	503
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 6: City of Tulare LOC	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	21	22	24	24	24	26	25	24	23	23	22	266
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 7: Miscellaneous Secured Claims	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 8: Unsecured Claims	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 9: Liability Claims	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital and Chapter 9 Claims	716	3,385	132	663	1,367	880	620	2,389	383	362	665	261	12,283
Net Increase (Decrease) in Cash	\$ (520)	\$ (299)	\$ 1,914	\$ (273)	\$ (1,059)	\$ 685	\$ (216)	\$ 82	\$ (182)	\$ 498	\$ (27)	\$ (150)	\$ 359



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HEALTH CARE PRACTICE

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Revenues:													
Net Patient Service Income	-	\$ 3,170	-	-	-	-	-	\$ 949	\$ 224	-	-	-	\$ 5,282
Tax revenue	52	-	-	-	-	-	-	25	25	614	153	-	2,053
Revenue Other	25	25	-	-	-	-	-	25	25	25	25	-	300
Adventist Health Hospital LOC	195	195	195	200	200	200	200	200	200	200	200	200	2,388
Adventist Health Hospital Lease Income	48	48	48	48	48	48	48	48	48	48	48	48	540
Rental Income Other Properties	45	45	45	45	45	45	45	45	45	45	45	45	540
Evolution Net Income	42	42	42	42	42	42	42	42	42	42	42	42	504
Litigation Recoveries	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Avoidance Recoveries	-	250	-	-	-	-	-	-	-	-	-	-	250
Sale of Excess Equipment and Assets	6	7	7	8	8	3	4	4	5	5	5	5	66
Interest Income	568	3,906	487	493	493	1,438	713	2,601	490	1,106	675	491	13,461
Total Revenue	568	3,906	487	493	493	1,438	713	2,601	490	1,106	675	491	13,461
Operating Expenses:													
Salaries and Benefits	30	30	30	30	30	30	30	30	30	30	30	30	357
Insurance	11	10	10	10	10	10	10	10	10	10	10	10	121
Utilities	8	6	8	6	6	8	6	6	8	6	6	6	80
Legal	63	43	43	43	43	43	43	43	20	20	20	20	444
Consulting and Purchased Services	26	24	26	24	21	21	21	21	25	21	21	21	242
Leases and Rentals	5	5	5	5	5	5	5	5	5	5	5	5	60
Supplies and Other	25	11	25	11	11	25	11	11	25	11	12	12	192
Total Operating Expenses	271	129	149	129	127	177	127	125	124	94	85	95	1,642
Net Operating Income	297	3,778	338	364	367	1,261	586	2,475	366	1,011	590	396	11,819
Nonoperating Expenses													
Capital Expenditures	25	25	25	25	25	25	25	25	25	25	25	25	300
Chapter 9 Claims													
Class 1: Series A GO Bonds													
Principal	-	860	-	-	-	-	-	-	-	-	-	-	860
Interest	-	1,781	-	-	-	-	-	1,762	-	-	-	-	3,543
Class 2: Series B-1 & B-2 GO Bonds													
Principal	-	175	-	-	-	-	-	-	-	-	-	-	175
Interest	-	354	-	-	-	-	-	350	-	-	-	-	704
Class 4: Revenue Bonds													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	665
Interest	-	-	-	-	-	-	-	-	-	-	-	-	377
Class 5: Adventist Health LOC													
Debt Service Fund Replenishment	44	44	44	44	44	44	44	44	-	-	-	-	353
Class 6: City of Tulare LOC													
Principal	195	195	97	100	100	100	100	100	100	100	100	100	1,388
Interest	22	21	21	20	20	20	19	19	19	16	16	16	234
Class 7: Miscellaneous Secured Claims							270	-	-	-	-	-	540
Class 8: Unsecured Claims													
Class 9: Liability Claims													
Class 10: Administrative Convenience Claims													
Total Capital and Chapter 9 Claims	555	3,455	187	190	1,158	189	459	2,300	144	144	520	143	9,443
Net Increase (Decrease) in Cash	270	323	151	174	1,158	1,072	127	175	223	868	60	253	2,376

Exhibit A  
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	July	August	September	October	November	December	January	February	March	April	May	June	Total
<b>Revenues:</b>													
Net Patient Service Income													
Tax revenue GO Bonds	\$ 84	\$ 3,332	-	-	-	-	-	\$ 978	\$ 231	\$ 2,064	-	-	\$ 5,416
Adventist Health Hospital LOC	25	25	25	25	25	25	25	25	25	25	25	25	2,114
Adventist Health Hospital Lease Income	200	200	200	206	206	206	206	206	206	206	206	206	2,459
Evolution's Net Income	49	49	49	49	49	49	49	49	49	49	49	49	500
Evolution's Net Income	50	50	50	50	50	50	50	50	50	50	50	50	500
Litigation Recoveries	42	42	42	42	42	42	42	42	42	42	42	42	500
Avoidance Recoveries													
Sale of Excess Equipment and Assets													
Interest Income													
Total Revenue	456	3,704	372	378	379	1,354	607	2,461	377	1,011	567	379	12,085
<b>Operating Expenses:</b>													
Salaries and Benefits	31	31	31	31	31	31	31	31	31	31	31	31	367
Insurance	115	10	10	10	10	11	11	11	10	11	11	11	137
Utilities	8	6	8	6	6	6	6	6	8	6	6	6	82
Legal	25	25	25	25	25	25	25	25	25	25	25	25	300
Consulting and Purchased Services	29	24	29	24	22	22	22	22	27	22	22	22	321
Leases and Rentals	6	6	6	6	6	6	6	6	6	6	6	6	72
Supplies and Other	26	11	26	11	11	26	11	11	26	11	10	12	154
Total Operating Expenses	238	115	134	113	111	163	111	111	131	101	102	102	1,578
Net Operating Income	217	3,591	238	265	268	1,192	496	2,350	246	910	465	277	10,507
<b>Nonoperating Expenses:</b>													
Capital Expenditures													
Chapter 9 Claims													
Class 1: Series A GO Bonds													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	1,020	-	-	-	-	-	-	-	-	-	-	1,020
Class 2: Series B-1 & B-2 GO Bonds													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	300	-	-	-	-	-	-	-	-	-	-	300
Class 4: Revenue Bonds													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	350	-	-	-	-	-	-	-	-	-	-	350
Debt Service Fund Replenishment													
Class 5: Adventist Health LOC													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 6: City of Tulare LOC													
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Class 7: Miscellaneous Secured Claims													
Class 8: Miscellaneous Claims													
Class 9: Liability Claims													
Class 10: Administrative Convenience Claims													
Total Capital and Chapter 9 Claims	413	3,474	142	145	1,323	144	414	2,227	143	143	412	142	9,019
Net Increase (Decrease) in Cash	\$ (195)	\$ 116	\$ 98	\$ 121	\$ (95)	\$ 1,048	\$ 82	\$ 123	\$ 103	\$ 767	\$ 54	\$ 135	\$ 1,487

**WIPFL**  
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 HEALTH CARE PRACTICE





Richard Ciarello  
Partner  
WIPFLI  
10000  
10000  
10000

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**Audited Financial Statements**  
**TULARE LOCAL**  
**HEALTH CARE DISTRICT**  
**dba Tulare Regional Medical Center**

**June 30, 2018**

**JWT & Associates, LLP**  
**Certified Public Accountants**

**Audited Financial Statements**

**TULARE REGIONAL MEDICAL CENTER**

**June 30, 2018**

<b>Management's Discussion and Analysis . . . . .</b>	<b>1</b>
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## Management's Discussion and Analysis

### TULARE REGIONAL MEDICAL CENTER

June 30, 2018

The management of the Tulare Local Health Care District (dba Tulare Regional Medical Center, e.g. the District) has prepared this annual discussion and analysis in order to provide an overview of the District's performance for the fiscal year ended June 30, 2018 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements; Management's Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the District's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2018 and accompanying notes to the financial statements to enhance one's understanding of the District's financial performance.

#### *Summary*

Tulare Regional Medical Center was closed for business on October 29, 2017. This followed the District's filing for Chapter 9 Bankruptcy protection on September 30, 2017. The Hospital was re-opened after a lengthy process of identifying a "partner" who could provide financial support along with expertise and experience in operating acute care hospitals. That partner is Adventist Health, who was selected in July, 2018, and who successfully led the quest to reopen the Hospital on October 15, 2018.

#### *Background*

Tulare Regional Medical Center was managed and operated by Healthcare Conglomerate Associates, LLC (HCCA) starting in 2014, and ending November 22, 2017. During that time, there was a significant decrease in overall days of care provided to patients (as compared to previous years), and although the cost of care per adjusted patient day dropped in 2015, it continued on a significant upward trend, especially in the FYE's 2016 and 2017. Finally, by mid-2017, the District came to the realization that the hospital's financial position was extremely precarious due to its inability to meet its financial obligations, and as such, it felt compelled to seek Chapter 9 Bankruptcy protection.

#### *Key Issues*

Although the financial audit preparations were initiated in July and August of 2017, the audit was never performed. After declaring bankruptcy, the District contracted with Wipfli/HFS Consultants to provide overall consultative services to address the District's needs and to work toward the goal of re-opening the Hospital. The Wipfli team started in October, 2017, and took possession of the Hospital on Monday, November 27, 2017. During the ensuing months, the following major actions were taken:

Management's Discussion and Analysis (continued)

TULARE REGIONAL MEDICAL CENTER

- 1 - A skeleton crew of Hospital staff members were retained to address the work needs anticipated for re-opening the Hospital;
- 2 - An operating budget and related cash budget needed to re-open the Hospital was developed and re-worked over the course of the next 6 months;
- 3 - Numerous funding sources were pursued, including filing for numerous third-party receivables, follow-up billings on the outstanding patient accounts receivables, and pursuit of various Supplemental Funding sources that are available to District hospitals which provide services to a large population of Medi-Cal patients;
- 4 - Interim loans were obtained from the Tulare Local Health Care Foundation along with a loan from another regional health system;
- 5 - Several months of negotiations with a regional health system failed to conclude a workable go-forward solution for the District, and a "Request for Proposal" was developed shortly thereafter in June, 2017 to reach out to other interested operators;
- 6 - The District received and accepted a proposal from Adventist Health to provide a \$10MM re-opening Line of Credit, a Management Services Agreement to operate the Hospital along with absorbing the related revenues and costs from time of opening until a Change of (Business) Ownership (CHOW) is attained. In order to obtain a CHOW, this first required a lease of the Hospital, and this lease to Adventist Health was approved by virtue of an 88.8% favorable vote of the District's property owners in the November election;
- 7 - A major effort to re-open the Hospital led by the Board, Adventist Health, Wipfli, and numerous community supporters was convened in July, 2017, re-licensing and certification was obtained from the State, and the Hospital successfully re-opened on Monday, October 15, 2018. All basic services needed to support an acute care hospital were opened at that time, including Emergency Room services which immediately was visited by 60 - 70 patients per day.

*Future Initiatives*

At the time the CHOW is completed, Adventist Health will take full responsibility of operating the Hospital as a new business entity entitled Adventist Health-Tulare. Also, over the course of the next few months, they plan to re-open the Obstetrical services, elective Surgical services, and various other services beneficial to the overall operation of the Hospital and the community.

The Tulare Local Health Care District (District) will continue to serve as Landlord to Adventist Health-Tulare, and will oversee the Hospital lease between the two parties. The District will hire appropriate staff necessary to carry out its' basic business and accounting functions, which also includes oversight of the management contract of its Evolutions Health Club business along with leasing out other commercial space to various businesses located on the



**Management's Discussion and Analysis (continued)****TULARE REGIONAL MEDICAL CENTER**

first floor of the Evolutions building. The District also owns several "cottage" type business commercial properties located near to the Hospital and will oversee management and leasing of these income producing ventures.

In February, 2019, the District obtained financing to assist in the recovery of its basic financial operations and will further be responsible to develop and implement a bankruptcy plan. The District will be responsible for certain capital improvements to the Hospital property, including completion of the partially completed Patient Services Tower. Finally, the District will be responsible to oversee re-payment of the outstanding General Obligation bonds which will be financed from property taxes, and Revenues bonds repayments which will come from additional property taxes along with income from the rentals and operations of other non-hospital properties. Funding for the completion of the Patient Services Tower will be addressed at a later date.

# **JWT & Associates, LLP**

**A Certified Public Accountancy Limited Liability Partnership**

1111 East Herndon, Suite 211, Fresno, California 93720

Voice: (559) 431-7708; Fax: (559) 431-7685; Email: [jwtcpa@aol.com](mailto:jwtcpa@aol.com)

## ***Report of Independent Auditors***

**The Board of Directors  
Tulare Regional Medical Center  
Tulare, California**

## ***Report on the Financial Statements***

We have audited the accompanying financial statements of Tulare Local Health Care District, (dba Tulare Regional Medical Center, e.g. the District) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

## ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Other Matters - Bankruptcy Uncertainties*

As more fully described in Note K, on September 30, 2017, the District filed a voluntary petition for relief under Chapter 9 of title 11 of the United States Code (the Bankruptcy Code). The District has incurred negative cash flows from hospital operations and was unable to meet certain of its future obligations. These conditions raised substantial doubt about the District's ability to continue hospital operations in the future and as a result, hospital operations were closed. The District's actions in regard to these matters are more fully described in Note K. The financial statements do not include adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that resulted from the District's closure of the hospital.

*Other Matters - Uncertainties Surrounding a District Attorney Investigation*

The Office of the District Attorney, County of Tulare, is in process of conducting an investigation into various matters regarding the District and its former management team. As of the date of this report it is not possible to disclose what material outcome, if any, the results of this investigation might have on the financial position and presentation of the financial statements of the District as of June 30, 2018 and 2017.

*Other Matters - Uncertainties Regarding Property and Equipment*

As part of the transactions with Adventist Health - Tulare, the District will be selling substantially all of its moveable equipment to Adventist Health - Tulare sometime in the very near future. In preparation for this sale, a reconciliation of the equipment inventory is in process. This preliminary work has raised certain issues regarding the District's equipment records. As a result, it is uncertain as to what financial impact the findings of this forthcoming inventory reconciliation will have upon the District's financial statements as of June 30, 2018 and 2017.

*Other Matters - Uncertainties Involving Certain Liabilities*

The District has recorded various liabilities as of the date of the Bankruptcy September 30, 2017 and previous, along with those incurred after September 30, 2017, both of which are reflected in the financial statements as of June 30, 2018 and 2017. As a part of the bankruptcy proceedings, District creditors have submitted their claims as to how much they believe to be owed by the District. These claims are in process of being analyzed and substantiated for the Bankruptcy Plan of Adjustment (the Plan), as well as other procedures to validate other claims by the District's creditors. As a result, it is too soon to determine the impact on the financial statements as of June 30, 2018 and 2017 until these reconciling procedures can be completed.

*Other Matters - Uncertainties Related to Pending Litigation*

The District is currently involved in several lawsuits related to hospital operations, contracts, agreements and other matters. As of the date of these financial statements, management believes that any potential future impact to the District, as a result of these actions, have been reflected in the District's financial statements, however, until the cases are settled, it isn't possible to determine the full impact these actions will have on the financial statements as of June 30, 2018 and 2017.

*Opinion*

In our opinion, except for the matters discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Supplementary Information*

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*GNW & Associates, LLP*

Fresno, California  
February 21, 2019



## Statements of Financial Position

## TULARE REGIONAL MEDICAL CENTER

	June 30	
Assets	2018	2017
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,970,088	\$ 2,087,760
Assets limited as to use available for current debt service	4,504,186	3,772,670
Patient accounts receivable, net of allowances	1,161,845	5,635,763
Estimated third party and other receivables	4,117,520	1,852,042
Inventories	387,635	1,160,861
Prepaid expenses and deposits	449,744	568,828
Total current assets	13,591,018	15,077,924
Assets limited as to use	7,449,346	7,521,748
Capital assets, net of accumulated depreciation	156,059,564	161,997,074
Total assets	177,099,928	184,596,746
Deferred outflows of resources	315,823	433,274
	<u>\$177,415,751</u>	<u>\$185,030,020</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Current maturities of debt borrowings	\$ 1,979,000	\$ 1,648,287
Accounts payable and accrued expenses	45,965,195	32,211,909
Accrued payroll and related liabilities	110,070	
Estimated third party and other liabilities	5,924,488	34,319
Total current liabilities	53,978,753	33,894,515
Debt borrowings, net of current maturities	95,320,001	97,378,625
Total liabilities	149,298,754	131,273,140
<b>Net position</b>		
Invested in capital assets, net of related debt	58,760,563	62,970,162
Restricted, by bond indenture for debt service	11,953,532	10,614,359
Unrestricted (deficit)	(42,597,098)	(19,827,641)
Total net position	<u>28,116,997</u>	<u>53,756,880</u>
	<u>\$177,415,751</u>	<u>\$185,030,020</u>

See accompanying notes and auditor's report

## Statements of Revenues, Expenses and Changes in Net Position

## TULARE REGIONAL MEDICAL CENTER

	Year Ended June 30	
	2018	2017
<b>Operating revenues</b>		
Net patient service revenue	\$ 12,158,299	\$ 38,751,788
Other operating revenue	<u>2,091,433</u>	<u>2,504,376</u>
Total operating revenues	14,249,732	41,256,164
<b>Operating expenses</b>		
Salaries and wages	1,532,445	
Employee benefits	376,663	
Professional fees	9,288,868	11,753,417
Supplies	3,019,596	8,834,964
Purchased services	20,254,015	51,407,901
Repairs and maintenance	284,243	472,582
Utilities and phone	1,259,004	1,560,939
Building and equipment rent	501,662	637,746
Insurance	1,046,816	1,270,010
Depreciation and amortization	3,381,815	3,567,312
Other operating expenses	<u>1,513,907</u>	<u>2,588,775</u>
Total operating expenses	<u>42,459,034</u>	<u>82,093,646</u>
Operating loss	(28,209,302)	(40,837,482)
<b>Nonoperating revenues (expenses)</b>		
District tax revenues	9,270,758	7,669,915
Investment gains and (losses), net	80,127	122,769
Interest expense	(6,781,466)	(6,863,174)
Grants and contributions		<u>1,297,985</u>
Total nonoperating net revenues	<u>2,569,419</u>	<u>2,227,495</u>
Increase (decrease) in net position	(25,639,883)	(38,609,987)
Net position at beginning of the year	<u>53,756,880</u>	<u>92,366,867</u>
Net position at end of the year	<u>\$ 28,116,997</u>	<u>\$ 53,756,880</u>

See accompanying notes and auditor's report



## Statements of Cash Flows

## TULARE REGIONAL MEDICAL CENTER

	Year Ended June 30	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Cash received from patients and third-parties on behalf of patients	\$ 20,260,863	\$ 57,952,072
Cash received from operations, other than patient services	2,087,478	10,451,143
Cash payments to suppliers and contractors	(22,522,515)	(70,856,381)
Cash payments to employees and benefit programs	<u>(1,799,038)</u>	<u>(2,756,903)</u>
Net cash (used in) operating activities	(1,973,212)	(5,210,069)
<b>Cash flows from noncapital financing activities:</b>		
District tax revenues	1,889,588	1,815,304
Grants and contributions	<u>1,297,985</u>	<u>1,297,985</u>
Net cash provided by noncapital financing activities	1,889,588	3,113,289
<b>Cash flows from capital and related financing activities:</b>		
Net changes in capital and other changes	2,673,146	(5,228,736)
District tax revenues for debt service	7,381,170	5,854,611
Proceeds from debt borrowings		800,000
Principal payments on debt borrowings	(1,727,911)	(2,153,525)
Interest payments on debt borrowings	<u>(6,781,466)</u>	<u>(6,863,174)</u>
Net cash (used in) capital financing activities	1,544,939	(7,590,824)
<b>Cash flows from investing activities:</b>		
Net (purchase) or sale of investments	(659,114)	248,176
Investment gains and (losses)	<u>80,127</u>	<u>122,769</u>
Net cash provided by investing activities	(578,987)	370,945
Net increase (decrease) in cash and cash equivalents	882,328	(9,316,659)
Cash and cash equivalents at beginning of year	<u>2,087,760</u>	<u>11,404,419</u>
Cash and cash equivalents at end of year	<u>\$ 2,970,088</u>	<u>\$ 2,087,760</u>

See accompanying notes and auditor's report

## Statements of Cash Flows (continued)

## TULARE REGIONAL MEDICAL CENTER

	Year Ended June 30	
	<u>2018</u>	<u>2017</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating loss	\$ (28,209,302)	\$ (40,837,482)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,381,815	3,567,312
Provision for uncollectible accounts	3,952,670	18,749,016
Changes in operating assets and liabilities:		
Patient accounts receivables	521,248	(13,290,322)
Other receivables	(3,955)	7,946,767
Inventories	773,226	45,731
Prepaid expenses and deposits	119,084	221,018
Accounts payable and accrued expenses	13,753,286	7,403,204
Accrued payroll and related liabilities	110,070	(2,756,903)
Estimated third party payor settlements	<u>3,628,646</u>	<u>13,741,590</u>
Net cash (used in) operating activities	<u>\$ (1,973,212)</u>	<u>\$ (5,210,069)</u>

See accompanying notes and auditor's report



## Notes to Financial Statements

## TULARE REGIONAL MEDICAL CENTER

June 30, 2018

## NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity:** Tulare Local Health Care District (dba Tulare Regional Medical Center, e.g. the District) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The District is governed by a five-member Board of Directors, elected from within the District's geographical political divisions to specified terms of office. The District is located in Tulare, California and owns a general acute care hospital facility, a home health agency, several rural health care clinics and other patient service programs. The District provides health care primarily to individuals who reside in the local geographic area.

In January, 2014 the District retained the services of Health Care Conglomerates Associates (HCCA) to manage and operate the healthcare services of the District. This agreement was replaced in May, 2014 by a long-term agreement with HCCA which would have allowed HCCA to manage the healthcare services of the District for a 15-year period. On November 9, 2014, all District employees transitioned to HCCA employment which were then leased to the District for the healthcare operations. All contractual agreements with HCCA were terminated by the District in 2017.

**Basis of Preparation:** The accounting policies and financial statements of the District generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the District has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Management's Discussion and Analysis:** Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:** The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

**Patient Accounts Receivable:** Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

**Inventories:** Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The District does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

**Assets Limited as to Use:** Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

**Capital Assets:** Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 40 years for buildings and improvements, and 3 to 10 years for equipment. The District periodically reviews its capital assets for value impairment. As of June 30, 2018 and 2017, it is undetermined if any capital assets have been significantly impaired. (See Note K).

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**Deferred Outflows of Resources:** Deferred outflows of resources include deferred financing cost of the issuance of bonds. Amortization of these issuance costs is computed by the straight-line method over the life of the repayment agreements. For current and advance refundings which result in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized deferred financing costs, is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, in accordance with GASB 23. Amortization expense was \$117,451 and \$151,906 for the years ended June 30, 2018 and 2017, respectively.

**Risk Management:** The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters.

**Net Position:** Net positions are presented in three categories. The first category is net position "invested in capital assets, net of related debt". This category of net position consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net position. This category consists of externally designated constraints placed on those assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net position. This category consists of net position that do not meet the definition or criteria of the previous two categories.

**Net Patient Service Revenues:** Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

**Charity Care:** The District accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the District. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.



## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**District Tax Revenues:** The District receives financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the District's behalf during the year, and are intended to help finance the District's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

**Grants and Contributions:** From time to time, the District receives grants from various governmental agencies and private organizations. The District also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net position.

**Operating Revenues and Expenses:** The District's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

**Reclassifications:** Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

## NOTE B - COMPONENT UNITS

The Tulare Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the District. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the District or held for the benefit of the District. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the District in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for District property and equipment replacement or expansion or other specific purposes.

Notes to Financial Statements (continued)

TULARE REGIONAL MEDICAL CENTER

NOTE B - COMPONENT UNITS (continued)

The Foundation, as specified in their mission statement, contributes annually, both in service and in funding, towards the healthcare of the residents of the Tulare healthcare service area, including the District.

The Tulare District Hospital Auxiliary (the Auxiliary) is a similar non-profit organization established to help solicit contributions for the District and also donates funds towards the healthcare effort of the Tulare area, including the District.

Both of these entities are considered component units of the District. Management believes that any financial impact these two entities would have upon the District's financial results would not be material and has therefore chosen not to include them in the financial statements of the District.

NOTE C - CASH AND CASH EQUIVALENTS

As of June 30, 2018 and 2017, the District had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to \$2,967,488 and \$2,766,068. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE D - NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare:** Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are generally paid under an outpatient classification system subject to certain limitations. The District is subject to cost reimbursement methodologies for the rural health clinics. Other reimbursement matters are also subject to final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2018, cost reports through June 30, 2016 have been final settled.

**Medi-Cal:** Payments for inpatient services rendered to Medi-Cal patients are made based on reasonable costs through December 31, 2013. Effective January 1, 2014, the State of California's Medi-Cal program changed inpatient reimbursement to Diagnosis-Related Groups (DRG), similar to the Medicare inpatient payment methodology. Outpatient payments continue to be paid on pre-determined charge screens. Medi-Cal managed care services are paid on a pre-determined rate and are not subject to cost reimbursement. At June 30, 2018, cost reports through June 30, 2016, have been final settled.

**Other:** Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

Net patient service revenues summarized by payor are as follows:

	<u>2018</u>	<u>2017</u>
Daily hospital services	\$ 7,934,934	\$ 36,765,249
Inpatient ancillary services	33,159,967	126,282,648
Outpatient services	<u>19,868,319</u>	<u>92,442,929</u>
Gross patient service revenues	60,963,220	255,490,826
Less deductions from revenue	<u>(48,804,921)</u>	<u>(216,739,038)</u>
Net patient service revenues	<u>\$ 12,158,299</u>	<u>\$ 38,751,788</u>

Medicare and Medi-Cal revenue accounts for approximately 70% of the District's gross patient revenues. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by material amounts in the near term as final settlements are determined.



## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

**NOTE E - PATIENT ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK**

The District grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the District. Concentration of patient accounts receivable at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Medicare and Medicare advantage	\$ 4,583,138	\$ 11,940,732
Medi-Cal and Medi-Cal managed care	9,130,855	23,789,179
Other third party payors	3,782,300	9,854,259
Self pay and other	<u>6,225,975</u>	<u>16,220,917</u>
Gross patient accounts receivable	23,722,268	61,805,087
Less allowances for deductions from revenue	<u>(22,560,423)</u>	<u>(56,169,324)</u>
Net patient accounts receivable	<u>\$ 1,161,845</u>	<u>\$ 5,635,763</u>

**NOTE F - ASSETS LIMITED AS TO USE**

Assets limited as to use as of June 30, 2018 and 2017 were comprised of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents held by the County of Tulare under general obligation bond agreements for specific requirements	\$ 10,481,313	\$ 8,909,051
Cash and cash equivalents held in trust by a financial institution under revenue bond agreements for specific requirements	<u>1,472,219</u>	<u>2,385,367</u>
	11,953,532	11,294,418
Less restricted trust funds available for current debt service	<u>(4,504,186)</u>	<u>(3,772,670)</u>
	<u>\$ 7,449,346</u>	<u>\$ 7,521,748</u>

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE G - CAPITAL ASSETS

Capital assets as of June 30, 2018 and 2017 were comprised of the following:

	Balance at June 30, 2017	Additions & Deletions	Reclasses & Retirements	Balance at June 30, 2018
Land and land improvements	\$ 3,301,871			\$ 3,301,871
Buildings and improvements	46,242,080			46,242,080
Equipment	40,759,576			40,759,576
Construction-in-progress	<u>138,042,717</u>	<u>\$ (2,690,823)</u>		<u>135,351,894</u>
Totals at historical cost	228,346,244	(2,690,823)		225,655,421
Less accumulated depreciation for:				
Land and land improvements	(929,691)	(30,963)		(960,654)
Buildings and improvements	(32,357,425)	(1,762,236)		(34,119,661)
Equipment	<u>(33,062,054)</u>	<u>(1,453,488)</u>		<u>(34,515,542)</u>
Total accumulated depreciation	<u>(66,349,170)</u>	<u>(3,246,687)</u>		<u>(69,595,857)</u>
Capital assets, net	<u>\$161,997,074</u>	<u>\$ (5,937,510)</u>	<u>\$</u>	<u>\$156,059,564</u>

	Balance at June 30, 2016	Additions & Deletions	Reclasses & Retirements	Balance at June 30, 2017
Land and land improvements	\$ 3,301,871			\$ 3,301,871
Buildings and improvements	45,456,675	\$ 785,405		46,242,080
Equipment	35,893,908	4,865,668		40,759,576
Construction-in-progress	<u>138,188,920</u>	<u>(146,203)</u>		<u>138,042,717</u>
Totals at historical cost	222,841,374	5,504,870		228,346,244
Less accumulated depreciation for:				
Land and land improvements	(893,568)	(36,123)		(929,691)
Buildings and improvements	(30,642,912)	(1,714,513)		(32,357,425)
Equipment	<u>(31,385,631)</u>	<u>(1,676,423)</u>		<u>(33,062,054)</u>
Total accumulated depreciation	<u>(62,922,111)</u>	<u>(3,427,059)</u>		<u>(66,349,170)</u>
Capital assets, net	<u>\$159,919,263</u>	<u>\$ 243,373</u>	<u>\$</u>	<u>\$161,997,074</u>

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE H - DEBT BORROWINGS

As of June 30, 2018 and 2017, debt borrowings were as follows:

	<u>2018</u>	<u>2017</u>
General obligation bonds, election of 2005, series A (2007); interest at 4.00% to 4.65% due semiannually; principal due in annual amounts ranging from \$125,000 on August 1, 2018 to \$2,000,000 due on August 1, 2037; collateralized by tax revenues:	\$ 14,655,000	\$ 14,760,000
Series 2007 refunding revenue bonds; interest at 3.75% to 5.20% due semiannually; principal due in annual amounts ranging from \$1,185,000 due on November 1, 2018 to \$1,210,000 due on November 1, 2032; collateralized by District revenues:	13,650,000	13,650,000
General obligation bonds, election of 2005, series B (2009); interest at 6.45% to 8.00% due semiannually; principal due in annual amounts ranging from \$575,000 on August 1, 2018 to \$7,240,000 due on August 1, 2039; collateralized by tax revenues:	68,900,000	69,350,000
Other various debt borrowings	<u>94,001</u>	<u>1,266,912</u>
	97,299,001	99,026,912
Less current maturities of debt borrowings	<u>(1,979,000)</u>	<u>(1,648,287)</u>
	<u>\$ 95,320,001</u>	<u>\$ 97,378,625</u>

Future principal maturities for debt borrowings for the next succeeding years are: \$1,979,000 in 2019; \$1,500,000 in 2020; \$1,700,000 in 2021; \$1,920,000 in 2022 and \$2,135,000 in 2023.

The Series 2007 refunding revenue bonds require that the District maintain a long-term debt service coverage ratio of not less than 1.25 times. For the fiscal year ended June 30, 2018 and 2017, the District did not comply with this requirement. At this time, it is too soon to tell what consequences this non-compliance may have on the operations and debt structure of the District.

The interest payments for the general obligation bonds issued in 2009 are subsidized over the life of the issue by a U. S. Government stimulus funds by approximately 32%, leaving the tax revenues to cover approximately 68%. The prior management of the District received payment from the U. S. Government towards this program and used the funds for operations of the hospital instead of subsidizing payments for the general obligation bonds. At this time, it is unknown what consequences this action of the prior management may have on the District.



Notes to Financial Statements (continued)

**TULARE REGIONAL MEDICAL CENTER**

**NOTE I - COMMITMENTS AND CONTINGENCIES**

**Health Insurance Portability and Accountability Act:** The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management believes the District is in compliance with HIPAA as of June 30, 2018 and 2017.

**Health Care Reform:** The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**Construction Delays:** Several years ago the District began construction on the "Tower Project" which was funded through bond measures. Funding from the bond measures has since been exhausted and the project remains uncompleted. The District plans to seek additional funding in the future in order to complete the project. As of the date of these financial statements, it is unknown as to when that funding will be secured and construction will continue towards completion. As a result of the delays in construction, no interest has been capitalized into the project during the fiscal years ended June 30, 2018 and 2017. Capitalization of interest will resume once construction on the project begins again.

**Litigation:** The District is involved in various types of litigation matters which generally arise in the normal course of doing business and in cases such as this involving bankruptcy. Litigation is further described in Note K - "Uncertainties". After consultation with legal counsel, management is unable to determine the financial impact to the District at this time and resolution may have a material adverse effect on the District's future financial position and results from operations or cash flows.

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE J - FAIR VALUE OF ASSETS AND LIABILITIES

The District adopted Statement of Financial Accounting standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 fair value establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices in active markets for identical assets or liabilities;

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

**Level 3:** Unobservable inputs for the assets or liabilities that are supported by little or no market activity and that are significant to the fair value of the underlying assets or liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the District's statements of financial position, as well as the classification pursuant to the valuation hierarchy.

**Financial Instruments:** Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 instruments include a variety of financial instruments as listed below. There are no Level 2 or Level 3 types within the balance sheet of the District. The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2018:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Short term investments	\$ 2,957,038	\$ 2,957,038		
U.S. Government securities	<u>1,406,007</u>	<u>1,406,007</u>		
Totals of financial instruments	<u>\$ 4,363,045</u>	<u>\$ 4,363,045</u>		

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE J - FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The following table summarizes the financial instruments measured at fair value on a recurring basis in accordance with FAS 157 as of June 30, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Corporate securities	\$ 2,287,536	\$ 2,287,536		
U.S. Government securities	1,411,728	1,411,728		
Totals of financial instruments	\$ 3,699,264	\$ 3,699,264		

## NOTE K - UNCERTAINTIES

**Bankruptcy:** On September 30, 2017 the District filed a Chapter 9 proceeding and, as of the date of these financial statements, that proceeding is pending in the United States Bankruptcy Court for the Eastern District of California. Subsequent to year end, the District was successful in working out a long term arrangement with Adventist Health whereby healthcare services were re-started and the hospital was re-opened in October, 2018. Adventist Health has applied for its own acute hospital license and when this is issued Adventist Health will formally become the lessee of the District's hospital facility. The change in ownership is expected to occur in the early part of 2019.

As to the Chapter 9 proceedings, the District has obtained a claims bar date and has done a great deal of the preliminary work needed to be done to propose a Disclosure Statement and Plan. It is expected that the Disclosure Statement and Plan will be circulated for review and comment toward the end of the first quarter of 2019 and that the finalized versions will be filed during the second quarter of 2019. It is anticipated that the Chapter 9 Plan would then be confirmed by the Court late in the second quarter or during the early part of the third quarter of 2019. The financial statements do not include adjustments to reflect future effects on the recoverability and classification of assets or the amounts and classification of liabilities that resulted from the District's hospital closure.

**District Attorney Investigation:** The Office of the District Attorney, County of Tulare, is in process of conducting an investigation into various matters regarding the District and its former management team. As of the date of this report it is not possible to disclose what material outcome, if any, the results of this investigation might have on the financial position and presentation of the financial statements of the District as of June 30, 2018 and 2017.



## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE K - UNCERTAINTIES (continued)

**Property and Equipment:** As part of the transactions with Adventist Health - Tulare, the District will be selling substantially all of its moveable equipment to Adventist Health - Tulare sometime in the very near future. In preparation for this sale, a reconciliation of the equipment inventory is in process. This preliminary work has raised certain issues regarding the District's equipment records. As a result, it is uncertain as to what financial impact the findings of this forthcoming inventory reconciliation will have upon the District's financial statements as of June 30, 2018 and 2017. It is anticipated that the sale of these assets to Adventist Health - Tulare is planned to take place in the Spring of 2019.

**Liabilities:** The District has recorded various liabilities as of the date of the Bankruptcy September 30, 2017 and previous, along with those incurred after September 30, 2017, both of which are reflected in the financial statements as of June 30, 2018 and 2017. As a part of the bankruptcy proceedings, District creditors have submitted their claims as to how much they believe to be owed by the District. These claims are in process of being analyzed and substantiated for the Bankruptcy Plan of Adjustment (the Plan), as well as other procedures to validate other claims by the District's creditors. As a result, it is too soon to determine the impact on the financial statements as of June 30, 2018 and 2017 until these reconciling procedures can be completed. It has not been determined how much funding will be available to pay towards those claims. Management believes, however, that the District's estimates, in these financial statements, of what is owed to creditors as of June 30, 2018 are fairly consistent with the amount of claims that have been filed by those creditors.

**Pending Litigation:** The District is currently involved in several lawsuits related to hospital operations, contracts, agreements and other matters. As of the date of these financial statements, management believes that any potential future impact to the District, as a result of these actions, have been reflected in the District's financial statements, however, until the cases are settled, it isn't possible to determine what impact these actions will have on the financial statements as of June 30, 2018 and 2017.

Some of these cases were subsequently settled after June 30, 2018. In November, 2018, the District's Board of Directors entered into a settlement agreement HCCA as more fully described in Note L. This settlement removed and satisfied all claims made by and between the District and HCCA. The District also entered into other various settlements subsequent to year end as described in Note L. Management feels that the financial statements as of June 30, 2018 and 2017 have fairly accounted for the financial impact of these settlements, as well as others.

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE L - SUBSEQUENT EVENTS

At the June 27, 2018 District board meeting, the District's Board of Directors heard presentations from two healthcare systems interested in entering into a long-term relationship with the District with the goal that the chosen applicant would operate and eventually lease the District's hospital facilities. The District's Board selected Adventist Health System West (Adventist) as its partner to accomplish these goals. Starting in July, 2018, the Adventist team commenced working with the District's Board, the District's interim management consultants - Wipfli LLP Consultants, the District's general legal counsel, the District's bankruptcy counsel, District staff, and community members living in the District in order to re-open the hospital and once again begin health care services for the community.

At a special District board meeting held on August 1, 2018, the Board of Directors unanimously adopted the following transactions through Board resolutions:

**Lease Agreement** - A lease agreement between the District and Adventist whereby an Adventist affiliate would lease the real property commonly known as the Tulare Regional Medical Center (Hospital), and other properties operated under the license associated with the Hospital, and operate the Hospital as a general acute care healthcare facility for a period of five years with a "Guarantee and Memorandum of Lease". These agreements were subsequently signed on February 12, 2019.

**Asset Purchase Agreement** - An "Agreement for the Purchase and Sale of Assets" by and among the District and the Adventist affiliate whereby the District would sell and the Adventist affiliate would purchase assets associated with and affixed to the Hospital, and other properties operated under the Hospital license.

**Credit Agreement** - A "Debtor-in-Possession Credit Agreement" by and between the District and an Adventist affiliate whereby the District would borrow and Adventist would lend up to \$10 million for the District to use to re-open the Hospital by October 28, 2018.

**Security Agreement** - A "Security Agreement and Chattel Mortgage" by and between the District and an Adventist affiliate whereby the District would pledge collateral in the form of title to the assets which are subject to the Agreement for the Purchase and Sale of Assets between the District and the Adventist which are recorded on the records of the District.

**Rent Assignments** - A "Short Form Deed of Trust and Assignment of Rents" by and between the District and an Adventist Health affiliate whereby the District would provide Adventist with a secured interest in specified real property and assign the rents of such property to Adventist.

## Notes to Financial Statements (continued)

## TULARE REGIONAL MEDICAL CENTER

## NOTE L - SUBSEQUENT EVENTS (continued)

**Management Agreement** - An "Interim Management Services Agreement" by and between the District and an Adventist affiliate whereby Adventist would provide the District management services related to the Hospital from the date that the District reinstates the Hospital license to operate through the aforementioned lease and other related agreements.

Other significant events which occurred subsequent to year end are as follows:

**Hospital Re-opening** - The Hospital's license was reinstated in early October, 2018, and the Hospital was re-opened for healthcare services effective October 15, 2018. Adventist then assumed operational management, along with the financial risk, of the operations of the Hospital at that time, and will continue to do so until a long-term lease agreement is executed.

**Long-Term Lease** - On November 6, 2018, District voters approved, by almost an 89% margin, for the District to enter into a long-term lease agreement with Adventist. Terms of the lease are for 5.5 years, with renewal options available to Adventist that could eventually extend to an overall combined term of 30 years.

**Change of Ownership** - Adventist will be filing an application for a "Change of Operational Ownership (CHOW)" with the California Department of Public Health (CDPH) in either February, 2019, or early March, 2019 to change the business ownership to a new corporation - Adventist Health - Tulare. It is anticipated that this CHOW will be approved by the CDPH in the early Spring of 2019, at which time Adventist will assume full operational control and responsibility of the Hospital's activities, and that the District will serve as the landlord of the Hospital properties. The District will continue to operate various non-Hospital related operations.

**Settlements** - In November, 2018, the District's Board of Directors entered into a settlement agreement and general release of claims with Healthcare Conglomerate Associates LLC, Medflow PC, Tulare Asset Management LLC, Vi Healthcare Finance, Inc. and Yoram "Benury" Benzevi, M.D. (collectively HCCA). This settlement removed and satisfied all claims made by and between the District and HCCA. The District also entered into other various settlements subsequent to year end with the Celtic Leasing Corporation, Dr. Kumar, the TRMC Medical Executive Committee, Maxim and Specialty Lab, along with several taxpayer lawsuits. These settlements were necessary in order for the District to move forward with its future operational activities. Management feels that these financial statements have recorded sufficient amounts which will fairly account for these settlements.



Notes to Financial Statements (continued)

TULARE REGIONAL MEDICAL CENTER

NOTE L - SUBSEQUENT EVENTS (continued)

**Legislative Audit** - On October 9, 2018, the California State Auditor Office (Auditor) issued its findings of an audit conducted by their office over previous months, in which the Auditor reviewed the activities of the District and its oversight of the Hospital and of HCCA. The findings and recommendations of this report are included in a publicly available report on the Auditor's website. The results of the audit did not financially affect the financial statements of the District as of June 30, 2018.

**Future Funding** - Future funding of the operations of the District requires the District to seek additional financing from outside lenders in order to facilitate payments of administrative claims incurred related to the management of the District, the bankruptcy proceedings, to make certain settlement payments entered into by the District, and to provide operating capital for the ongoing operations of the District as well as completion of certain projects. In early February, 2019, the District obtained a \$9 million line of credit from the City of Tulare for some of these aforementioned purposes.

Management evaluated the effects of other subsequent events on the financial statements through February 21, 2019, the date the financial statements are issued, and determined that there are no other material subsequent events that have not been disclosed.

Tulare District Hospital  
P & L  
Three Year Comparison

	June 30, 2016 Balance	June 30, 2017 Balance	June 30, 2018 Balance
Net patient revenues	(76,277,171)	(38,751,786)	(12,158,299)
Other Operating Income	<u>(3,980,882)</u>	<u>(2,504,376)</u>	<u>(2,091,433)</u>
Total operating income	(80,238,053)	(41,256,164)	(14,249,732)
Salaries & wages	0	0	1,532,446
Employee Benefits	0	0	376,663
Professional fees	6,594,120	5,452,130	7,067,894
Professional fees, physicians	5,182,458	6,301,287	2,220,974
Supplies	9,988,172	8,834,864	3,019,596
Purchased services	10,762,242	11,414,565	6,552,368
Purchased services, HCCA	36,822,456	39,993,336	13,701,647
Repairs and maintenance	345,853	472,582	284,243
Utilities and phone	1,559,182	1,560,839	1,259,004
Rents and leases	803,356	637,746	501,662
Insurance	814,735	1,270,010	1,046,816
Depreciation/Amortization	3,607,430	3,587,312	3,381,815
Other expenses	<u>1,368,630</u>	<u>2,588,775</u>	<u>1,513,807</u>
Total operating expenses	<u>77,848,934</u>	<u>82,083,646</u>	<u>42,459,034</u>
(Income) loss from operations	(2,388,129)	40,837,482	28,209,302
District taxes	(7,188,334)	(7,669,915)	(9,270,758)
Investment gains and losses	(145,709)	(122,769)	(80,127)
Interest expense	771,434	6,863,174	8,781,466
Grants and contributions	<u>(769,770)</u>	<u>(1,287,985)</u>	<u>0</u>
Total non operating (revenues)/expenses	(7,330,379)	(2,227,495)	(2,569,419)
Net decrease in net position	(9,718,508)	38,609,987	25,639,883
Net position at the beginning of the year	<u>(82,848,359)</u>	<u>(92,366,867)</u>	<u>(53,756,880)</u>
Net position at the end of the year	<u>(92,366,867)</u>	<u>(53,756,880)</u>	<u>(28,116,997)</u>

Tulare District Hospital  
Balance Sheet Summary  
Three-Year Comparison

	June 30, 2016	June 30, 2017	June 30, 2018
Cash & cash equivalents	11,404,419	2,087,760	2,970,098
Assets limited as to use - current	8,044,283	3,772,870	4,504,186
Patient accounts receivable	11,094,457	5,635,763	1,181,848
Other receivables	8,289,804	342,837	346,792
Estimated third party payor settlements	16,386,476	1,808,205	3,770,728
Inventories	1,206,592	1,180,881	387,636
Prepaid assets & deposits	<u>789,846</u>	<u>668,828</u>	<u>449,744</u>
	54,185,677	15,077,924	13,591,018
Assets limited as to use	5,488,311	7,521,748	7,449,348
PP&E	189,919,283	181,997,074	156,059,584
Note receivable	<u>284,478</u>	<u>0</u>	<u>0</u>
Total assets	219,877,729	184,596,746	177,099,928
Deferred Outflows	<u>586,183</u>	<u>433,274</u>	<u>315,823</u>
Totals	<u>220,462,912</u>	<u>185,030,020</u>	<u>177,415,751</u>
Current maturities	(2,082,884)	(1,848,287)	(1,979,000)
Accounts payable	(24,808,705)	(32,211,909)	(45,966,195)
Accrued payroll	(2,758,903)	0	(110,070)
Estimated third party payor settlements	<u>(150,000)</u>	<u>(34,319)</u>	<u>(5,924,488)</u>
	(29,799,292)	(33,894,515)	(53,978,753)
Long term debt	<u>(98,287,752)</u>	<u>(97,378,625)</u>	<u>(95,320,001)</u>
Total Liabilities	(128,086,046)	(131,273,140)	(149,298,754)
Invested fund balance	(56,538,826)	(82,970,182)	(58,780,563)
Restricted fund balance	(11,542,594)	(10,814,358)	(11,953,532)
Unrestricted fund balance	<u>(21,285,447)</u>	<u>19,827,641</u>	<u>42,587,098</u>
	(92,366,867)	(53,756,899)	(28,116,997)
Total liabilities and net position	<u>(220,462,912)</u>	<u>(185,030,020)</u>	<u>(177,415,751)</u>



# **VOLUME LOCAL HEALTH CARE DISTRICT** **Summary of Accounts Payables as of February 22, 2019**

TLHCD	Status:	0-30	31-60	61-90	91-120	+121	Grand Total
Before 9/30/17							
After 9/30/17		211,028.27	67.14	31,889.80	13,415.16	27,760,487.06	27,760,487.06
Grand Total		211,028.27	67.14	31,889.80	13,415.16	32,869,861.10	33,126,261.47

Note: The A/P amounts will be revised at such time that the Bankruptcy Claims are finalized.

**Tulare Local Health Care District aka Tulare Regional Medical Center**

**CASH RECEIPTS**

	11/23	12/20	12/27	12/24	12/22	12/29	1/4	1/11	1/18	1/25	2/1	2/8	2/15	3/22	Yr Total
<b>RECEIPTS</b>															
Revenue Received for AH	46,242	104,535	100,707	70,725	74,347	85,268	97,420	72,042	153,795	158,512	119,215	105,552	143,586	125,380	9,084,218
DSN Payment	(31,700)	(30,024)	(30,404)	(32,184)	(424,855)	(15,378)	(95,746)	(95,881)	(153,375)	(73,664)	(145,509)	(175,888)	(147,296)	(174,588)	(4,725,418)
Property Taxes	0	0	0	0	375,144	0	0	0	0	0	0	0	0	0	1,725,418
Property Rentals and Endowments	8,942	2,850	2,515	1,532	38,319	5,575	25,220	247,347	3,702	0	0	0	0	0	131,638
Short Term Loans	0	0	0	0	0	0	0	34,130	0	0	0	0	0	0	34,130
Line of Credit - City of Tulare	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Supplemental - AH 112 & 915	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Paid by TLMCD To be Reimbursed by AH	41,246	0	0	0	0	0	0	22,028	48,605	0	2,366	0	0	0	110,382
Supplemental - HCAH, Etc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payments excluded from AH LOC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Extraordinary Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Advertiser Health Line of Credit	0	0	2,350	0	82,892	0	0	0	0	0	183,154	0	0	0	3,268,087
<b>Total Cash In</b>	<b>62,030</b>	<b>77,360</b>	<b>68,080</b>	<b>40,543</b>	<b>2,073,508</b>	<b>78,252</b>	<b>28,337</b>	<b>273,653</b>	<b>70,725</b>	<b>153,648</b>	<b>177,846</b>	<b>(55,573)</b>	<b>48,638</b>	<b>4,402,711</b>	<b>20,806,838</b>
<b>EXPENSES</b>															
Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payroll & Related Expenses	13,657	21,248	14,062	0	0	0	163,175	0	0	0	108,179	0	0	100,000	1,008,622
Insurance	0	0	0	0	0	0	15,254	0	15,575	0	17,453	0	0	0	4,452,552
Utilities/Phone/Internet	0	16,971	67,548	0	14,592	0	73,728	4,677	34,592	0	57,545	25,507	0	0	1,206,318
Legal/Bookkeeping/Counsel	0	5,899	6,678	26,758	11,441	0	2,802	5,823	14,527	2,733	1,985	4,786	1,514	0	1,406,459
Consulting & Purchased Services	0	71,707	0	386	128,098	0	1,275	73,636	308,885	0	0	0	0	0	2,111,898
Software Fees	0	289,104	51	0	216,982	0	7,181	8,489	4,337	154,789	1,803	13,310	85,406	94,482	9,946,822
Supplies - Medical	0	29,435	5,505	5,148	0	0	0	0	0	0	0	0	0	0	5,945,822
Leases and Rentals	0	5,422	3,255	6,338	0	0	531	5,555	2,327	4,532	1,879	0	0	0	135,457
HRT Advances	0	0	0	0	0	0	592	6,138	751	573	6,353	8,081	0	0	849,658
Third Party Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	2,348	56,014	1,894	8,637	21,552	15	48,013	5,837	33,045	5,822	20,584	26,585	305,680	2,810,203	4,728,574
Hyperion Catch-up After 09/30/17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assumed Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Start-up Repairs (Covered) including IPT &	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Alloc. & Admin. Repairs	0	15,526	19,404	3,708	27,787	0	2,453	27,303	11,596	48,480	0	0	0	0	245,461
<b>Total Expense</b>	<b>15,005</b>	<b>420,553</b>	<b>221,807</b>	<b>94,037</b>	<b>451,440</b>	<b>15</b>	<b>255,271</b>	<b>149,550</b>	<b>470,588</b>	<b>243,336</b>	<b>224,283</b>	<b>85,440</b>	<b>518,231</b>	<b>4,464,959</b>	<b>25,004,720</b>
<b>Difference</b>	<b>46,924</b>	<b>(343,293)</b>	<b>(153,826)</b>	<b>(13,493)</b>	<b>512,068</b>	<b>78,237</b>	<b>(226,944)</b>	<b>124,103</b>	<b>(395,774)</b>	<b>(194,308)</b>	<b>(46,437)</b>	<b>(145,015)</b>	<b>(571,263)</b>	<b>(62,299)</b>	<b>832,159</b>
<b>Cash Balance Forward</b>	<b>2,131,598</b>	<b>1,771,215</b>	<b>1,625,385</b>	<b>1,601,426</b>	<b>2,213,694</b>	<b>2,351,931</b>	<b>2,804,066</b>	<b>2,195,395</b>	<b>1,785,521</b>	<b>1,663,213</b>	<b>1,538,777</b>	<b>1,405,781</b>	<b>894,359</b>	<b>832,159</b>	<b>0</b>

NOTE 1: \$795,694 of Tulare American Bonds funds were received by the District in February, 2018 and again in July, 2018, and another \$748,427.37 was received in February, 2019, and all were directly paid to the Tulare County Tax Assessor. These have been removed from this report as these are not District funds.

NOTE 2: Included in these amounts are \$949,800 relating to the transferred to the Administrative Health to cover staff employees payroll and start-up costs and \$32,000 for telephone service costs.

NOTE 3: Advertiser Health will be reimbursing this District for agreed-up property repairs and telephone costs totaling \$351,549.

NOTE 4: Certain Re-Charges have been made from these accounts to more accurately reflect major expenditures below.